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September 8, 2020

VIA EMAIL (Sergio.cavazos_HC@house.texas.gov)

The Honorable Eddie Lucio
CC: Sergio Cavazos, Committee Clerk, House Insurance Committee
1100 Congress Avenue
Austin, Texas 78701

Re: Request for Information due on September 8th

Dear Chairman Lucio and Members of the House Insurance Committee:

On behalf of our 34 member companies and the patients we serve, thank you for allowing us to provide comments on the September 8th Request for Information pertaining to HB 2536.

In this letter, we are providing an additional solution to consider as the Committee discusses proposals that can truly help patients afford their medicines, which will help improve health and quality of life for Texans and patients throughout the world.

Patients often pay more for their prescription medicine than their insurance pays for the exact same medicine because insurance companies and PBMs negotiate rebates and discounts without sharing the savings with patients. Plans and PBMs often get sizeable rebates from manufacturers. On average, manufacturers rebate 46 percent of a medicine's list price back to other supply chain stakeholders, such as health insurers, PBMs, the government and other entities.[1] In 2018, these rebates and discounts totaled over $166 billion nationwide, and approximately $2.3B in manufacturer rebates were paid to the state of Texas and the federal government, which is 60% of the total Medicaid spend on prescription medicines.[2] While the rebate dollars currently are allocated to the state's general fund, as in most states throughout the country, a portion of the monies should go directly to the patient, which would help needy Texans to be able to secure lifesaving drugs and medicines at an affordable cost.

At the same time, insurance design is significantly changing. Patients are being forced to pay more (out of pocket) for their medicines due to an increase in deductibles and the use of coinsurance.[3] Deductibles may now require patients to pay in full for their medicines before insurance coverage even kicks in, meaning patients may be responsible for paying several hundreds of dollars before getting access to their medicines, which can be a deterrent for a patient to even fill their medicine. Furthermore, lack of adherence could mean emergency admissions and hospitalizations, as a result. And, unlike copays, which are a fixed dollar amount charged per prescription, coinsurance requires patients to pay a percentage of the medicine's price and copays are now escalating higher and higher. It is no wonder why patients are feeling that the cost of medicines is rising when, the costs of the insurance plan design are changing.

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1 Berkeley Research Group (BRG). Revisiting the Pharmaceutical Supply Chain: 2013-2018. (http://www.thinkbrg.com/newsroom-publications-revisit-pharma-supply-chain.html)
2 The Facts About Medicaid in Texas. (https://www.phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/PDF/Medicaid-2019/TX-One-Pager_19.pdf)
3 Commercially-Insured Patients Pay Undiscounted List Prices for One in Five Brand Prescriptions, Accounting for Half of Out-Of-Pocket Spending on Brand Medicines. (https://www.phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/PDF/A-C/Commercially-Insured-Patients-Pay-Undiscounted-List-Prices-for-One-In-Five-Brand-Prescriptions-Accounting-for-Half-of-Out-of-Pocket-Spending-on-Brand-Medicines.pdf)

To add to the expense, patients often pay for their medicine based on the full list price of the medicine, not being able to take advantage of the net price (discounted price) that their insurance company and PBM pays after negotiating with the manufacturer. For example, for a drug with a $100 list price, a health insurance company or PBM may negotiate a discount or rebate of $40, for a net cost to them of $60. But a patient still in her deductible pays the full $100. A patient with a 25% coinsurance pays $25 for a medicine with a $100 list price (.25X100), rather than the $15 (.25X60) she would pay if the coinsurance was based off the discounted amount being paid by her insurance company. That extra money collected from the patient may go to the health insurance company or the PBM. It does not go to the manufacturer of the medicine, nor to the patient.

This situation is unique to health insurance coverage of prescription medicines, and it penalizes patients who need medicines the most. Right now, patients receive the benefit of negotiated discounts when sharing in costs for doctor or hospital visits, but they do not always receive the same benefits for prescription drugs. That practice must change.

Therefore, PhRMA encourages the House Insurance Committee to look at additional legislative solutions that would require health insurance companies and PBMs to share at least part of their negotiated savings with patients at the point of sale at the pharmacy counter. Despite what health insurance companies claim, this will not drastically increase patient plan premiums. One Milliman study demonstrated that, even if health insurance companies were required to share all the negotiated rebates with patients, plan premiums would increase at most by 1%, while patients could save up to $800 each year on their medicine costs.[4] Fixing this broken part of the system and sharing these savings will give patients immediate relief and help them better afford the medicines they desperately need.

At PhRMA, we will continue to push forward in research and development of therapies that save lives and improve quality of living for patients and their families. Our researchers are working around the clock to bring new treatments and cures to market. Now, especially during the time of this pandemic, our industry is working tirelessly to develop a COVID-19 vaccine and treatment to preserve the health and wellness of the residents of Texas and patients around the world.

We look forward to our continued work with the House Insurance Committee to develop solutions and look for ways to lower costs and offer affordability tools for the under and uninsured. Thank you again for allowing us to comment and we look forward to serving as a resource. Please don't hesitate to contact us if you have further questions or inquiries.

Sincerely,

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4 Milliman. Point of Sale Rebate Analysis in the Commercial Market: Sharing rebates may lower patient costs and likely has minimal impact on premiums. Published October 2017.